

## WILLIAM LANGER JEWEL BEARING PLANT REVOLVING FUND

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### PURPOSE OF THE PROGRAM

This was a public enterprise (revolving) fund that, until 1988, financed operation of the William Langer Jewel Bearing Plant at Rolla, North Dakota. This Government-owned, contractor-operated plant was the only facility of its kind in the United States that had the capability to produce all types of jewel bearing and related items in quantity. They were sold at fixed prices to Government agencies and their contractors and subcontractors for national defense purposes, and to GSA for the national defense stockpile. Mandatory source provisions in the Federal Procurement Regulations (FPR) and Armed Services Procurement Regulations (ASPR) required agencies and their contractors, under certain conditions, to procure and use bearings made at the plant.

At the close of each fiscal year, after making provision for prior year losses, any net income of the Fund was transferred to the Treasury as miscellaneous receipts.

### AUTHORITY FOR THE PROGRAM

The fund was authorized by Public Law 90-469 (82 Stat. 666), approved August 8, 1968.

### HISTORY OF THE PROGRAM

In October 1952, the Department of the Army entered into a cost-plus-one-dollar-a-year contract with the Bulova Watch Company to activate and habilitate a jewel bearing production plant known as the Turtle Mountain Plant, which was leased by the Government from the Rolla Civic Improvement Association in Rolla, North Dakota. The property and two buildings were leased by the Corps of Engineers for a 25-year period, with a Government option to purchase the land and buildings during the lease period; part of the annual rental was to be applied against the total purchase of \$25,000.

In 1957, the plant was declared excess by the Army, was placed in the national industrial reserve as plant 485, and custody of both the plant and equipment was given to GSA. At the request of the Office of Emergency Preparedness (OEP), GSA entered into a stockpile purchase contract with the Bulova Watch Company to acquire jewel bearings on a cost-plus-one-dollar-a-year basis. GSA's first contract was effective July 2, 1957. Since fiscal year 1958, procurement directives issued by the Office of Emergency Preparedness and its successors, first the Federal Preparedness Agency and later the Federal Emergency Management Agency (FEMA), have restricted stockpile purchases of jewel bearings to those obtained solely from production at the Rolla Plant. GSA was subsequently authorized to lease the plant to produce jewel bearings and related products for defense and other needs.

In March 1961, the OEP-established Advisory Committee on Jewel Bearings reviewed the need for the plant at Rolla, and unanimously recommended that it be modernized and expanded to be capable of providing essential jewel bearings in the event of a national emergency. The bulk of industry's civilian requirements had been obtained from Switzerland, which was regarded as a vulnerable source for emergency dependence.

Funds for the plant modernization were requested in GSA's supplemental appropriation bill for fiscal year 1963, and \$1,100,000 was subsequently authorized by Public Law 88-25. The modernization and expansion were designed to provide a total installed normal production capacity of six (6) million jewel bearings per year, or fourteen (14) million per year on a multiple shift basis. The law further provided for the acquisition of the land and buildings. Equipment modernization was accomplished by importing the latest and best available jewel bearing production equipment from manufacturers in Switzerland; new equipment deliveries started in October 1965, were completed in 1967, and were gradually introduced into the production line.

On December 1, 1967, GSA submitted draft legislation to change the method of operating the Jewel Bearing Plant, and to reduce the unit cost of jewel bearings and increase their sale to Government contractors, subcontractors, and other industrial users. It was enacted as Public Law 90-469 on August 8, 1968, and authorized GSA: to provide for operation of the plant, by contract or otherwise, to produce jewel bearings and related items for use or sale, at prices determined by the Administrator of GSA to be sufficient to cover the estimated or actual costs of production, including depreciation; to establish a separate fund to be used without fiscal year limitation; to transfer the Plant and all of its assets to the William Langer Jewel Bearing Plant Revolving Fund upon termination of the then existing lease; to provide that all proceeds from the Plant's operation and from the sale of any of its property would be credited to the Fund; to provide that any net income, after considering any prior years' losses, would be transferred to the Department of Treasury as miscellaneous receipts; and to make advances from the Fund to the contractor operating the Plant, and to crediting proceeds and receipts to a special subsidiary fund. On January 1, 1970, financing of the operation was placed under a revolving fund.

Also on January 1, 1970, a new contract was signed with the Bulova Watch Company, Inc., to operate the Plant on a cost-plus-fixed-fee basis, in accordance with Public Law 90-469. It was at this time that the level of incoming defense orders began to fall off, and they hit a critical low in fiscal year 1971. As a result, severe production and financial restrictions were imposed upon the Plant, necessitating a 30 per cent cut in production.

In September 1972, at the request of Senator Milton Young of North Dakota, the General Accounting Office reported to him its findings and recommendations for improvements. Corrective measures were taken by GSA, the Department of Defense, and the then Office of Emergency Preparedness by issuing strengthened mandatory source provisions in the ASPR and FPR, directed toward assuring stricter compliance and improving overall utilization of the Plant by including the production of related items.

In 1982, FEMA requested the Plant undertake pilot production of dosimeters, radiation monitoring devices. They became a production item in 1983, and are produced for FEMA under that agency's National Civil Defense Program.

On February 25, 1988, Executive Order 12626 transferred National Defense Stockpile and defense-related functions to the Secretary of Defense. Accordingly, operation of the Langer Plant was transferred to the Department of Defense, effective July 3, 1988.

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FINANCIAL ASPECTS OF THE PROGRAM  
\$(Thousands)

<u>Fiscal</u> <u>Year</u>	<u>Reven</u>	<u>Expen</u>	<u>Profit</u> <u>or Loss</u>	<u>Assets</u>					<u>Current</u> <u>Liabil</u>	<u>Trans to</u> <u>Treasury</u>	<u>Obli-</u> <u>gations</u>	<u>Outlays</u>
				<u>Treas.</u> <u>Cash</u>	<u>Accts.</u> <u>Recvbl</u>	<u>Select</u> <u>Assets</u>	<u>Fixed</u> <u>Assets</u>	<u>Total</u> <u>Assets</u>				
1970	588	408	180	799	452	722	927	2,900	25	-	291	799
1971	1,601	1,131	470	744	758	990	845	3,337	142	\$ 180	1,361	-125
1972	1,336	1,383	-47	440	481	1,010	795	2,726	34	470	1,329	-
1973	1,308	1,490	-182	374	551	908	712	2,545	36	-	1,282	-100
1974	1,512	1,440	72	374	717	910	628	2,629	38	-	1,381	-
1975	1,677	1,519	158	694	595	947	542	2,778	28	-	1,441	-320
1976	1,776	1,607	169	694	866	845	548	2,953	34	-	1,494	-
TQ	363	335	28	794	796	853	543	2,986	47	-	347	-100
1977	1,641	1,621	20	770	685	825	532	2,812	49	196	1,609	-172
1978	1,592	1,893	-301	770	340	966	574	2,650	188	-	1,941	-
1979	1,783	1,877	-94	598	420	913	581	2,512	143	-	1,926	172
1980	2,199	2,080	119	423	502	1,140	645	2,710	222	-	2,328	175
1981	2,322	2,382	-60	353	442	1,214	677	2,686	258	-	2,486	70
1982	2,607	2,518	89	256	482	1,617	642	2,997	480	-	2,484	97
1983	3,113	2,679	434	2,449	424	3,557	1,079	5,351	2,006	-	2,691	-1,797
1984	3,364	2,774	590	3,414	607	1,755	1,470	7,246	2,456	-	2,880	-966
1985	2,998	2,586	412	3,024	453	2,058	2,623	8,158	1,861	-	3,029	390
1986	3,344	3,288	56	2,735	518	4,873	3,249	8,640	1,695	-	3,330	290

NOTE: Although accounts were transferred to the Department of Defense effective 7/3/88, the budget also reflected the transfer in 1987 for comparability.